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FISCAL IMPACT REPORT

SPONSOR	<u>Heaton</u>	ORIGINAL DATE	<u>2/3/06</u>	HJM	<u>27</u>
		LAST UPDATED		SB	
SHORT TITLE	<u>Refrain from Sweeping Year-end Severance Tax</u>			ANALYST	<u>Hoffmann</u>

SOURCES OF INFORMATION

LFC Files

Responses Received From
(No agency referrals)

SUMMARY

Synopsis of HJM

Passage of House Joint Memorial 27 reminds the legislature that five percent of the severance tax revenues must by law be deposited into the Severance Tax Permanent Fund.

FISCAL IMPLICATIONS

Since 2003, the legislature has appropriated the five percent remainder of the severance tax revenues in spite of the legal requirement to deposit it into the Severance Tax Permanent Fund.

House Joint Memorial notes that this practice has resulted in the cumulative diversion of over \$200,000,000 from the permanent fund into government expenditures.

The practice of "sweeping" these revenues has its true fiscal impact in the future, when revenues that might have been available from investments will have to be made up by taxing individuals and businesses.

SIGNIFICANT ISSUES

The Severance Tax Permanent Fund was created to recognize the limited life of tax revenues from the extraction of New Mexico's natural resources. A permanent fund compensates for the loss by accumulating capital to generate revenue through investments.